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C O N F I D E N T I A L SECTION 01 OF 03 TEL AVIV 001318

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SUBJECT: FM LIVNI SEEKS NEW MECHANISM FOR DELIVERING AID TO PALESTINIANS

REF: TEL AVIV 1158 (NOTAL)

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b,d).

1. (C) SUMMARY: Foreign Minister Tzipi Livni asked NEA A/S David Welch and DAPNSA Elliott Abrams on March 30 for USG help in formulating a new mechanism to deliver aid directly to the Palestinian people; without this mechanism, she said, other donors might "take their own decisions" and use a delivery method that helps or legitimizes the Hamas-led PA. Livni also said that efforts to keep the crossings open could weaken efforts to undermine Hamas. She suggested that a new crossings protocol might prevent daily meetings between Israelis and "Hamas customs officials." A/S Welch responded that the USG seeks to draw attention to the failures of Hamas, and that, in doing so, "we must make clear that we are not collectively punishing the Palestinian people." When Livni questioned the value of the USG or GOI continuing contact with PA President Mahmud Abbas, Welch explained that the USG wants "to ensure that those who say 'yes' still have an address in the U.S." Welch reported that the recent Arab League Summit pledged only the usual amount for the PA and did not move to replace the financial support that non-Arab donors have withdrawn; such pledges have rarely been fully satisfied. Livni reported that she received assurances from UN Secretary-General Kofi Annan and from officials in London, Paris, Vienna and Ottawa that they strongly support the three conditions that Hamas must meet in order to receive international aid or contact, but added that she worries that the Russians may soon propose a new Middle East initiative which could serve to legitimize the Hamas-led PA. END SUMMARY.

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NEW MECHANISM FOR DELIVERING AID TO PALESTINIANS  
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2. (C) Livni, Welch and Abrams agreed that health and education form the most important priorities for humanitarian assistance. Livni told A/S Welch and DAPNSA Abrams, however, that she would like the USG to help formulate a new mechanism to deliver aid directly to the Palestinian people; without this mechanism, she said, other donors might "take their own decisions" and use a delivery method that helps or legitimizes the Hamas-led PA. "We need to think of an idea, a trustee, an organization," Livni said. "We (the USG) don't need a new mechanism to deliver our assistance," Welch replied, "but that doesn't mean we wouldn't support one for others." Welch said that the USG can take the lead on this issue. The USG has grown uncomfortable, Welch explained, with the tenor of discussion on assistance within the Quartet, and prefers for discussion now to take place among the major donors. Abrams added that we do not yet know the extent of revenue that the PA may derive from internal sources or external donors, such as the Arab governments; he was skeptical about Arab support.

3. (C) Abrams stressed that USG policy aims to withhold direct aid to the PA in order to force the government either to change or to fail. Welch said that the USG will not provide direct assistance to the PA. There could be exceptional cases, rare circumstances, such as humanitarian emergencies like the avian flu crisis. If there are any other desirable projects that fall outside the humanitarian aid field, the GOI should notify us, said Welch. While we cannot guarantee that we will approve them, he said, we will consider them on their merits. Livni flagged the importance of finding a non-governmental mechanism to transfer money to Palestinian farmers who suffered financial losses as a result of avian flu. "I prefer," she stressed, "even in crisis not to transfer money to Hamas because it gives them legitimacy." Welch agreed and asked Livni to inform the USG of GOI interest in any other exceptions if such an interest should develop in the future. Welch also reported that the USG will soon announce its humanitarian assistance strategy, noting that the EU will declare a similar strategy, but on a separate occasion; a joint U.S.-EU press release, Welch explained, might highlight divisions within the Quartet.

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NEW PROTOCOL FOR THE CROSSINGS  
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14. (C) Livni said that efforts to keep the crossings open could weaken efforts to undermine Hamas because monitoring the crossings requires constant contact with officials of the new Hamas government. "If we are demanding that the Europeans no longer keep contact with the PA," Livni responded, "then how can we do so ourselves?" She suggested that a new customs protocol might help prevent "Israelis from having to meet Hamas customs officials every day." Welch noted that the USG seeks to draw attention to the failures of Hamas, and that, in doing so, "we must make clear that we are not collectively punishing the Palestinian people." The Ambassador stressed that Hamas must fail because of their own actions.

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CONTACT WITH PRESIDENT ABBAS  
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15. Livni also questioned the value of the USG or GOI continuing contact with PA President Mahmud Abbas. Welch explained that the USG wants "to ensure that those who say yes still have an address in the U.S. If Hamas says yes three times then they have one, too. If not, then we want them to fail." Abrams emphasized, "Our message is: 'change or fail.'" Welch added, "We will not be transferring any money through President Abbas. We may provide it to him, but we have no special plans to do so." Welch informed Livni that the USG has instructed personnel worldwide of our policy prohibiting contact with PA government officials. He stressed that the policy bans contact with anyone whose chain of command leads to the Prime Minister, including lower-level officials in the ministries.

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ARAB FINANCIAL SUPPORT FOR THE PA  
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16. (C) Welch and Abrams reported that Arab governments at the March 28 - 29 Arab League Summit in Khartoum said that they will continue to provide \$55 million per month to the PA, but they did not pledge to replace what other donors previously provided. Welch noted that these governments have not in the past been very reliable in delivered on aid pledges. The USG plans, Welch added, to work bilaterally with each government to encourage them not to do so now and certainly not to replace the aid to the PA that major donors have stopped providing.

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THE UN, EUROPEANS, CANADIANS, AND RUSSIANS  
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17. (C) Livni reported that she told UN Secretary General Kofi Annan about the letter that UN Envoy Alvaro De Soto sent to the GOI seeking the release of the six Jericho prisoners (reftel). She said that she believes that De Soto will soon meet PM Haniye. Livni said that Annan appeared unaware of De Soto's actions, but that he assured her that he will stay strong on the three conditions, and will not compromise on them.

18. (C) Livni said that during her March 1 - 3 meetings with officials in Paris, London and Vienna she received assurances that their governments strongly support the three conditions. "Underneath this stated support," Livni added, "I felt like they were looking for a way to support the Palestinians with humanitarian aid. They don't have a clue, though, how to deliver the aid, in technical terms." A/S Welch said that he thinks the USG can influence how the Europeans ultimately decide to deliver aid. "We have some differences on the issue of contacts," Welch said, "but we're in line on the issue of delivering humanitarian assistance." Livni also said that in a recent phone conversation, Canadian Foreign Minister Peter MacKay told her that the Canadian government stands strongly against terrorism, and will support any step to fight it. Livni said that she thinks that the Canadians want to be more involved. Welch said that the Canadians may assume a leadership role in a meeting of major donors scheduled for the third week of April.

19. (C) Livni said that she had a phone call "a few weeks ago" with Russian Foreign Minister Sergei Lavrov. "I didn't like his tone," Livni said. She reported that his statements to her -- "we have to find a way to promote a new process," "we have to face the new reality," and "we have to find a new way out of the situation" -- suggest that the Russians may soon propose a new Middle Eastern initiative that serves to legitimize the Hamas-led PA.

10. (U) NEA A/S Welch cleared this cable.

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